

# **CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE**

## **Minutes**

**December 18, 2001**

The Capital Projects and Bond Oversight Committee met on Tuesday, December 18, 2001, at 1:00 PM, in Room 129 of the Capitol Annex. Representative Jodie Haydon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Jodie Haydon, Chair; Senator Robert Leeper, Vice Chair; Senators Tom Buford and Bob Jackson; Representatives Bob Damron, Paul Marcotte, and Jim Wayne.

Guests testifying before the committee: Representative Perry Clark; Glenn Mitchell, Armond Russ, Robin Kinney, Jim Abbott, Don Mullis, and Tom Howard, Finance and Administration Cabinet; Bill Hintze, Governor's Office for Policy and Management; Robbin Taylor, Deborah Wilkins, and Ann Mead, Western Kentucky University; Gene Harmon and Chuck Coates, City of Bowling Green; Allene Rash, University of Kentucky; and Warren Nash, Cabinet for Economic Development.

LRC Staff: Mary Lynn Collins, Pat Ingram, Nancy Osborne, Kevin Mason, and Shawn Bowen.

Representative Marcotte made a motion to approve the minutes of the November 20, 2001 meeting as submitted. The motion was seconded by Representative Wayne and passed by voice vote.

Chairman Haydon called on Mary Lynn Collins, Committee Staff Administrator, to review various information items included in members' folders. Among the items she reviewed was a recent newspaper article indicating Governor Patton will not propose any new capital construction projects in his recommended budget unless there is a significant change in the economy; a press packet announcing the Governor's latest budget cuts; and a list of conditional commitments for infrastructure grants submitted by the Kentucky Infrastructure Authority.

Chairman Haydon introduced Representative Perry Clark, Chair of the Capital Planning Advisory Board (CPAB) and Bill Hintze, Deputy State Budget Director and Vice Chair of the CPAB, to discuss the 2002-2008 Statewide Capital Improvements Plan recently completed by the CPAB.

Representative Clark said he appreciated the committee's invitation to discuss the Board's 2002-2008 report. He said plans from state agencies were received in mid-April, and the Board gave final approval to the statewide plan in late October. Approximately 1,500 projects were submitted by the agencies totaling about \$7.5 billion.

Representative Clark discussed past efforts of the Board and then discussed four policy recommendations in the current plan. The first recommendation addresses funding for major capital renewal and maintenance of state facilities. The plan recommends that the 2002 General Assembly establish a program to set aside funds for major capital renewal and maintenance projects costing over \$400,000 each. He explained that the recommendation calls for two funds to be established – one for new projects and one for existing facilities.

Representative Clark said another recommendation in the plan calls for the construction of a new state office building in Franklin County. He said a similar recommendation has been in previous plans of the Board. This project was recommended to help reduce the amount of space the state is leasing in Frankfort and to consolidate agencies (particularly the Natural Resources and Environmental Protection Cabinet).

Representative Clark said a third major recommendation in the plan is that the Budget Reserve Trust Fund (BRTF) should be replenished as quickly as possible to a level that represents 3 to 5% of General Fund revenues. He said Kentucky's commitment to funding the BRTF has been a factor in the state's currently strong credit rating. This, in turn, has lowered the state's cost of borrowing. However, budget cuts this biennium have reduced the amount in the fund to about 1.7% of revenues. Therefore, the Board is urging the Governor and the General Assembly to place priority on replenishing it as soon as possible.

Representative Clark said the plan also recommended statutory changes to broaden the responsibilities of the Department for Facilities Management, and to provide additional resources - funding and personnel - to the Department for Facilities Management.

Representative Clark said he will be introducing legislation for consideration by the 2002 General Assembly reflecting several of the Board's policy recommendations. He invited committee members to join him as co-sponsors.

Representative Clark said the Board recommends that a very conservative state-funded capital construction program be approved for the 2002-04 biennium due to the fiscal uncertainty facing the state, the limited debt capacity of the state, and the need to place a priority on replenishing the BRTF. The recommendation identifies funding for maintenance as the Board's highest priority. He said to the extent amounts are available for major construction, equipment, and information technology projects, the Board

compiled a list of approximately 15 items recommended as high priorities for funding in 2002-2004.

Representative Clark said this plan reflects the Board's belief that the state must be a good steward of state assets. He said the current plan may be the Board's most ambitious plan. He encouraged committee members to review the entire document, and requested their support for the various recommendations.

Representative Marcotte asked if the Governor's budget will reflect the project recommendations of the Statewide Capital Improvements Plan. Mr. Hintze said the Governor's budget will reflect \$100 million in local school construction committed by the 2000 General Assembly, it will reflect funding for courthouses approved but not funded by the 2000 session, and there would be some level of maintenance funding provided. He said, however, there would be no other capital projects in the Governor's budget.

Representative Marcotte asked if it would be possible to have capital projects included in the budget as part of a surplus expenditure plan in case the funds later become available. Mr. Hintze said they have not discussed that possibility, but it has not been ruled out at this point.

In response to comments from Representative Damron about the BRTF, Representative Clark said replenishing the BRTF should be the state's first capital-related priority.

Representative Damron moved that the committee support the CPAB's work on this issue, and recommend to the Governor and to the General Assembly that the top capital funding priority for the 2002 Regular Session should be to replenish the BRTF. The motion was seconded by Senator Leeper and passed by voice vote.

Senator Jackson asked how projects in which only the first phase was funded in 1998 or 2000 are ranked compared to new projects recommended for funding. Mr. Hintze said that subsequent phases of a project are not considered more important than funding for a new project, and each project was reviewed on a case-by-case basis.

Representative Wayne said he appreciated Representative Clark's leadership of the CPAB. He referred to comments Representative Clark made about assuring that projects are not authorized unless funding is adequate to complete the project. He said that philosophy has no greater application than the Louisville International Airport Expansion project. The state provided funds to assist in this nearly \$1 billion project, but the priorities were faulty. Funds were used first for the expansion, and the last priority was to fund a voluntary buyout of property surrounding the airport that was negatively impacted by the expansion. Representative Wayne said the state reneged in putting forth \$20 million to complete the buyout program by the end of 2003, and now approximately

3,500 individuals are stranded in surrounding neighborhoods because their houses are worthless. He said there is no project in the state of Kentucky that is more important than getting these people moved; this project was initiated in 1988 and by the time people are moved, it will be 15 years for many of these families. He said this is not a typical capital project, but should be viewed as a priority. Representative Wayne said he hoped Representative Clark would support this project. He said the Governor and the legislature need to understand this is a human tragedy, and the money has to be there to move these people.

Senator Jackson asked if the bonding capacity for the state has changed since the Governor's latest budget cuts. Mr. Don Mullis, Executive Director of the Office of Financial Management, said they have not revised any of the information the committee was previously provided in regards to debt capacity. He said his office is attempting to revise the debt capacity estimate, based on the official revenue estimates just released, but he thought debt capacity will probably be close to the \$250 million previously estimated.

Chairman Haydon thanked Representative Clark for appearing before the committee. He then introduced Mr. Glenn Mitchell, Deputy Secretary, Finance and Administration Cabinet, and Mr. Don Mullis, Office of Financial Management, to discuss the use of lease-purchasing for financing major capital improvements.

Mr. Mitchell said they have evaluated other states' use of lease-purchasing for financing major capital improvements. The financing mechanism that seems to be the most popular with other states is a method known as the "6320 corporation", which is a provision in the Internal Revenue Service (IRS) regulations that allows an entity that is created for government purposes to issue bonds and purchase a government asset. That entity stays in existence while the bonds are outstanding, and the government leases the asset. At the end of the bond term, the asset is transferred to the government and the entity goes out of existence. This method is being used for funding construction of courthouses in Kentucky.

Mr. Mitchell said other states that have used 6320 corporations include South Carolina, Virginia, and Massachusetts. Other states - California, Nevada, Massachusetts, Washington State and New York are in the process of using it.

Mr. Mitchell said the Office of Financial Management has reviewed how the rating agencies are viewing the use of such third-party conduits for financing capital improvements. Mr. Mullis said concerns by the rating agencies have surfaced over the last several years relating to these non-traditional financing approaches states are using. Moody's, for example, now calculates a gross tax-supported ratio which captures items the state has normally left outside its capacity calculation (proportion of debt service to total revenues). He said in Kentucky, for example, the lease payments appropriated to the

Administrative Offices of the Courts to support the court facilities construction programs are now captured in Moody's gross calculation.

Mr. Mullis said the State Property and Buildings Commission, the Kentucky Asset Liability Commission, the Turnpike Authority of Kentucky, and several other issuing authorities are 6320 corporations. Typically, that approach has been adopted by governments trying to avoid the restrictions and limitations established by general obligation bonds. Through the use of state appropriation-supported or lease appropriation-supported type structures, the state may avoid some limitations, but will not necessarily avoid the credit review and concerns the rating agencies may have. Mr. Mullis said credit agencies are concerned with how a state allocates its total resources. He said his office, over the last several months, has been considering how to review debt capacity. Mr. Mullis said his office would be concerned about the use of a 6320 corporation without review and approval by the Office of Financial Management. He noted that if the Office of Financial Management does not review these financings, they probably will not be presented to the committee for review.

Mr. Mullis said from a credit agency perspective, the essential question they ask "Is it an appropriation of state resources?", and if it is, the credit agency will consider it as "on credit". He said the General Assembly and the Executive Branch need to reconsider its current debt policies. He said while there may be some advantages to using a 6320 corporation, it is not a magic bullet. He said the rating agency's review will depend upon the exact structure of the documents that underwrite the financing. If state appropriations are used to support payments, that will be considered as "on credit" in all likelihood.

In response to a question from Representative Wayne, Mr. Mullis said it is his view, the state should provide for oversight by the Finance and Administration Cabinet and the legislature for any of these lease-type of arrangements. Representative Wayne agreed. Mr. Mullis said recent financial difficulties have raised some concerns, but the rating agencies have not acted on those concerns yet. They are giving the state the opportunity to take actions to correct problems.

Representative Damron asked about the benefit of using a 6320 corporation. Mr. Mullis said they continue to research the issue, and he would not rule out using a 6320 corporation entirely. However, he added that he did not think this is the most positive potential avenue for the state to pursue.

Representative Damron said that as the state determines the amount of debt available to the General Assembly to bond in the 2002-2004 budget cycle, the focus should be the purpose of that debt. He said if the state is building a state office building, and debt service replaces leasing expenses, the state should be able to build a strong case with the rating agencies that the state is not increasing the obligation of the taxpayers of the Commonwealth's budget for the new project.

Mr. Mullis said those were good points that need to be pursued and reviewed in more detail. Mr. Mitchell added that this is the reason they do not want to close the door on this method. He said he thought rating agencies would look favorably on swapping lease payments for debt service. Those lease payments now are going towards a building that will never be owned by the state, however, if those payments are redirected to pay debt service, at the end of 20 years, the state will own the building. He said that is obviously an asset the rating agencies should take into consideration.

Chairman Haydon said Western Kentucky University (WKU) asked to be on the committee's agenda today to discuss an amended Memorandum of Agreement (MOA) relating to the renovation of E.A. Diddle Arena. He said Robbin Taylor, WKU's new Director of Governmental Relations, will present the MOA. Chairman Haydon said this update is for the committee's information, and no action will be taken today. The university has indicated they plan to first seek General Assembly approval for the project.

(At Senator Leeper's request, staff also distributed correspondence he had received from Mr. Charles M. Lott concerning the proposed Diddle Arena project.)

Ms. Taylor introduced Ms. Deborah Wilkins, General Counsel, WKU; Chuck Coates, City Manager for the City of Bowling Green; and Gene Harmon, Bowling Green City Attorney. Ms. Wilkins said the MOA has been revised since the committee reviewed it several months ago. She said suggestions and concerns expressed by several state entities, including the Finance and Administration Cabinet and the committee, have been incorporated into this document. Ms. Wilkins said the Bowling Green City Commission voted to approve the new version of the MOA on December 4, the Executive Committee of the WKU Board of Regents recommended approval to the full Board on December 14, and the Hilltopper Athletic Foundation Board will consider the MOA on December 19. Ms. Wilkins said they also plan to appear before the Government Contract Review Committee on January 8, and the full Board of Regents will consider the document on January 23. However, she stressed there will not be any execution of this document until the project has been approved by the General Assembly.

Representative Wayne asked about the \$80 student athletic fee increase WKU implemented last fall. Ms. Ann Mead, WKU's Chief Financial Officer, said the athletic fee is still being collected and until it is needed for debt obligation relating to Diddle Arena, it is being used for non-recurring expenses such as small capital improvements. In response to another question from Representative Wayne, Ms. Mead said the Student Government Organization has never requested an accounting of how the money has been spent, but such information would be available upon request.

Representative Wayne said the MOA allows the Finance Cabinet to delegate to WKU all or any portion of the project administration. He asked if there are there any

plans for WKU to manage the project. Ms. Robin Kinney, Deputy Secretary, Finance and Administration Cabinet, said the plan is for the Finance Cabinet's Department for Facilities Management to manage the Diddle Arena Renovation project, and she would let the committee know if this changes.

Representative Wayne asked why the Hilltopper Athletic Foundation is selling the luxury suites and naming rights instead of WKU. Ms. Wilkins said the Hilltopper Athletic Foundation currently manages the revenue that comes from athletic memberships. She said the building of the luxury suites will take away from the ticket revenue that the Foundation is currently receiving so they will be given the opportunity to manage the suites. Ms. Wilkins said in their discussions with the Finance and Administration Cabinet concerning revenue for the sale of the suites and the naming rights, the Cabinet felt it was important that those funds be segregated from other state funds. Consequently, the university plans to use the Foundation for this purpose. They will enter into a separate agreement with the Hilltopper Athletic Foundation once the suites are constructed. In response to another question, Ms. Wilkins said the name "Diddle" will be retained as part of the facility's name.

Senator Leeper asked if there will be any expense in selling the luxury suites, and if the Hilltopper Athletic Foundation has staff to handle this. Ms. Wilkins said there will be a master lease agreement between the university and the Hilltopper Athletic Foundation, and there will be sub-leases from the Foundation to the box holders. She said the Foundation has already expended some funds to hire a consultant to help with the selling of the naming rights. Ms. Wilkins said they have not sold anything, but they are working with the consultants to establish a process. Ms. Wilkins said they will not be adding staff for this purpose.

Representative Damron asked what liability the City of Bowling Green has if the revenues decrease. Mr. Strong said this is a general obligation bond issue, and there are three funding sources to repay the bonds - the student athletic fees, the naming rights, and the suite rentals. Any time those sources of revenue are insufficient to meet payments, any deficiency will be paid from the city's city general funds.

In response to another question from Representative Damron, Ms. Wilkins said in order to keep the project within budget, they will eliminate parts of the project if necessary. Construction will be done in phases, and they will carefully monitor cost. If they appear to be running out of money, they will stop the project.

In response to questions from Senator Buford, Ms. Mead said the school will continue to collect the \$80 increase in the student athletic fee. She noted that the student athletic fee had been \$16 for 20 years. They worked with the student organizations, and it was unanimously agreed that an athletic program cannot be operated on a \$16 student athletic fee.

In response to another question by Senator Buford, Ms. Mead responded that none of the fees have been used to cover administrative fees relating to the Diddle Arena renovation. Funds to pay a consultant concerning marketing of naming rights for Diddle Arena came from donations made to the Athletic Foundation. Ms. Wilkins added that when the student athletic fee increase was passed by the Board, it was passed for the purpose of supporting the athletic program, and the students did not object to paying the increased fee. She noted that they included an automatic increase in the athletic fee so it will rise in an amount equal to the higher education consumer price index. She said the estimates of revenues to be generated by this fee are very conservative, and they are comfortable that the student athletic fees will cover the debt service associated with the Diddle Arena renovation work.

Senator Buford asked how much money in the Hilltopper Athletic Foundation fund is contributed by donors. Ms. Wilkins said she did not have that information, but she would find out. Senator Buford requested that the university report back to the committee on how much money has been raised through student athletic fees, how much has been spent for athletics, and the amount of the remaining balance.

Senator Leeper asked when the audit of the Student Life Foundation will be complete. Ms. Taylor said the audit will be available after the first of the year.

Senator Leeper said the June 14, 2001, Board minutes reference a report given by Pat Hall, project manager for the dormitory renovations. He asked what Mr. Hall was referring to in that report under the section "Review of special interest groups bidding and awarding process". Ms. Wilkins said the Student Life Foundation Board was concerned that they might receive some pressure from local vendors and contractors so they decided to adopt a policy to accept the best value, lowest qualified bid in awarding contracts.

Senator Jackson suggested that the university request audits of both the Student Life Foundation and the Hilltopper Athletic Foundation. Ms. Mead said both are undergoing audits.

Representative Wayne asked about the status of the title insurance issue and questions raised by the Foundation Board concerning legal fees paid for title insurance relating to the acquisition of the WKU dormitories. Ms. Wilkins said the matter has been turned over to the Foundation's legal counsel, and the issue of the fee has been submitted for arbitration through the Kentucky Bar Association.

Chairman Haydon then called on Ms. Allene Rash, Manager, University of Kentucky (UK) Real Property Division. Ms. Rash reported a new lease agreement for the UK Chandler Medical Center, Hospital Marketing Division (PR-8231) for office space in



Lexington. The annual cost of the new lease will be \$108,486. Ms. Rash said in response to their advertisement, they received 17 responses. Three best and final forms were received, and the university selected property at 2347 Sterlington Road owned by SITE, Inc.

Representative Damron made a motion to approve the new lease for UK. The motion was seconded by Senator Buford and passed by voice vote.

This lease was submitted to the committee last month, but was withdrawn to correct some procurement problems noted by the committee staff. Because of the procurement problems, Representative Wayne asked that a letter be sent from the committee requesting that the Council on Postsecondary Education and the Finance Cabinet work together to provide advice and assistance to postsecondary institutions regarding lease procurement.

Chairman Haydon then asked Mr. Bill Hintze, Governor's Office for Policy and Management (GOPM), and Commissioner Armond Russ, Department for Facilities Management, to discuss the project report submitted by the Finance and Administration Cabinet.

Mr. Hintze reported a \$150,000 allocation from the Emergency Repair, Maintenance and Replacement Fund for a project to repair storm damage to the Heavy Equipment Building at Hazard Technical College. Chairman Haydon said no action is required for emergency fund allocations.

Mr. Hintze then reported an emergency authorization for a project to allow the Bluegrass Station Division of the Department of Military Affairs to replace roofs on three bays. The project scope is \$860,000, and will be funded with restricted funds. Mr. Hintze said the roofs are leaking onto sensitive equipment owned by building tenants and need to be repaired. Chairman Haydon said no action was necessary for this project.

Mr. Hintze next presented a land acquisition report for the purchase of additional acreage adjacent to the Kentucky Horse Park. Mr. Hintze said during the 2000 Session, the General Assembly allocated \$5,000,000 in bond funds for Statewide Land Acquisition and Demolition projects. The Finance Cabinet recently allocated \$1,329,356 from this Pool to the Kentucky Horse Park to purchase 197 acres. The remainder of the purchase price, \$200,000, will be covered by the Kentucky Horse Park Foundation. Mr. Hintze said in order to conclude negotiations for this property, the purchase price is more than the appraised price for the land. He said an exception to the statutory requirements of paying no more than the appraised value was made due to the importance of this acquisition.

Senator Leeper said based on KRS 45A.045(9), the state is not authorized to pay more for property acquisitions than the appraised value. He asked what the intent of the statute was, and if the state is going around the intent when foundations are allowed to pay the difference in the appraised value. Mr. Hintze said the intent of the statute is to be sure the state is getting proper value for its money and to ensure that no individual takes advantage of the state for personal gain. He said neither of these standards have been violated in this case. He said negotiations for this property have been very visible, and this compromises the state's ability to be effective negotiators.

Mr. Hintze then introduced Mr. Jim Abbott, Director, Division of Real Properties and Mr. John Nicholson, Director of the Kentucky Horse Park, to further discuss the project. Mr. Abbott said initially they approached the owners of this property with the intent to buy approximately 500 acres. After 12 months, those negotiations failed. They then approached the property owners with a plan to buy less acreage. At this point, the property owners were receptive. Mr. Abbott said this is the only property adjoining the Horse Park that is not highly improved so it is an opportunity to acquire additional acreage for the park they may not have again within the foreseeable future. He also noted that the purchase price, while above appraisals procured by the state, is below the appraisal procured by the owners.

Representative Wayne also noted KRS 45A.045 states "that the amount paid for real property shall not exceed the appraised value" and asked how the Finance Cabinet operationalized this to mean the state can pay no more than 10% above the appraised value. Mr. Hintze said he did not know, but the practice was adopted a long time ago, and is well established.

Representative Wayne said it could be beneficial to everyone if this statute was studied more closely. Mr. Abbott said that if the seller had not been willing to sell, they could have acquired the property through condemnation, and based on their experience, that process could lead to a much higher selling price.

In response to another question, Mr. Hintze and Mr. Nicholson indicated the Foundation funds are in hand.

Senator Buford said he thought the price for the property was a good price. He said there are not many tracts of land of similar size that sell in northern Fayette County on which to base an appraisal. Mr. Abbott said the property being acquired borders I-75, and will be very visible once improved and incorporated into the park. Chairman Haydon said no further action was required for this project.

Mr. Hintze then discussed an allocation of \$198,000 from the Statewide Deferred Maintenance Pool Account to fund repairs and renovations at the Kentucky Horse Park. Representative Wayne asked if there are other projects that need assistance from the

Statewide Deferred Maintenance Pool Account. Mr. Hintze said there is not enough money to fund every deferred maintenance need. He said they will be making recommendations to the General Assembly in January concerning the fund. Chairman Haydon said no further action was required for this project.

Mr. Hintze then reported an allocation of \$900,000 from the Emergency Repair, Maintenance and Replacement Account to continue corrective mold and fungi abatement at two of the older facilities at Maysville Community College. He said damage is extensive and considered potentially serious if not addressed expeditiously. Maintenance funds from the Kentucky Community and Technical College System (KCTCS) have been used to do some investigative and abatement work, but to complete the restoration and abatement, will cost at least \$4 million. Mr. Hintze said KCTCS is seeking \$8.9 million in state funds to complete the project, and to make other improvements in the buildings. The allocation from the Emergency Account will be used to address the next stage of environmental action until the General Assembly can consider the project in the regular budget. Chairman Haydon said no further action was required for this project.

Senator Buford asked what the replacement value is for the buildings with mold and fungi problems. Commissioner Russ said they would find out and report back to the committee. Senator Buford said it may be cheaper to build a new building. Commissioner Russ said his office has not encountered anything of this magnitude and it has overwhelmed them. He said right now they are trying to clean the areas where the students are. Chairman Haydon said no further action was required for this project.

The final project Mr. Hintze discussed was an allocation of \$75,000 from the Capital Construction and Equipment Purchase Contingency Account to fund a scope increase for a project at Jenny Wiley State Resort Park. The project includes dredging the lake and constructing a boat launching ramp. The project was authorized by the 2000 General Assembly for \$500,000 (bond funds).

Representative Damron made a motion to approve the scope increase. The motion was seconded by Senator Buford and passed by voice vote. The revised project scope is \$575,000.

Representative Damron said new security measures are being implemented at the Capitol and at the Annex. He said he has reservations about the level of those measures and the associated expenses. He said he thought these measures will also limit citizen access to their legislators and to the legislative process. Representative Damron said he had asked staff to forward to Secretary Flanery a request for information on the cost of the new procedures. He said he also planned to introduce a concurrent resolution condemning efforts to restrict access to the "people's" house. He asked why these new security procedures are necessary.

Commissioner Russ said as part of the initiative to restore the Capitol, the Finance Cabinet had been looking at security from a variety of levels. Plans for an electronic security card program is an outgrowth of the EMPOWER Kentucky initiative. This program has already been implemented at the CHR complex, the State Office Building, and at the Capital Plaza Tower. They are planning to install the system at the Library and Archives building and the Public Service Commission as well.

Commissioner Russ said last year the Legislative Research Commission asked the Kentucky State Police and the Secret Service to perform a security study. One of the big dilemmas is determining the right level of security. Commissioner Russ said the short-term recommendations include installing metal detectors in five locations on the Capitol campus - three in the Capitol (east, west side and the front door) and two at the entrances of the Capitol Annex.

Representative Damron asked what the metal detectors cost. Commissioner Russ said the cost of the five metal detectors and the 14 handheld wands is \$42,330.

In response to another question from Representative Damron, Commissioner Russ said the tunnel from the parking garage was to be used as an employee entrance and would not be open to citizens. He said wherever there is a visitor's entrance, a guard must be stationed.

Representative Damron asked why metal detectors are needed. Commissioner Russ said there have been two sets of security reports (by the Secret Service and by consultants hired by the Department for Facilities Management), and both sets of consultants have recommended some level of screening for visitors.

Representative Damron said a metal detector does not stop anyone from bringing a firearm into the Capitol. Under the state constitution, people can openly carry weapons unless convicted felons, and if they have a permit, they can carry a concealed weapon. He said the new security procedures, including restricted parking in the parking garage, will be an inconvenience when large groups visit the Capitol and when constituents visit their legislators. Commissioner Russ said they have decided to not make any changes in the parking.

Representative Damron said he was opposed to the new security procedures. He said he had a problem with spending \$100,000, including additional personnel costs, to keep people out of the legislative process.

Representative Marcotte said he was in agreement with Representative Damron's comments regarding security. He said constituents will be surprised and discouraged when they visit the legislature.

Chairman Haydon said there are two sides to this issue. He said we want citizens to feel safe when they are in the buildings, and it is hard to decide where to draw the line.

Representative Damron said he did not have a problem with posting security guards at the building entrances as is currently done. He said he did have a problem implementing the type of security now in airports.

Chairman Haydon next introduced Mr. Warren Nash, Director of the Grants Programs, Economic Development Cabinet. Mr. Nash presented an Economic Development Bond (EDB) project to benefit OBG Manufacturing, Inc. The Cabinet is proposing to make a grant of \$50,000 to the company, through the City of Liberty. Proceeds will be used to help defray a portion of the cost associated with the conversion of its Liberty manufacturing facility into a distribution center. Mr. Nash said that in exchange for the grant, the company will be required to maintain 60 full-time jobs at an hourly rate of \$10.

Representative Damron made a motion to approve the EDB grant. The motion was seconded by Senator Buford and passed by voice vote.

Chairman Haydon then called on Mr. Tom Howard, Deputy Executive Director of the Office of Financial Management, to present the agency's bond activity report. Mr. Howard first reported a new bond issue: State Property and Buildings Commission (SPBC) Revenue Bonds and Revenue Refunding Bonds, Project No. 74 in an amount not to exceed \$380,000,000. He said the office is amending this issue by adding an additional \$7 million for the Eastern Kentucky State Law Enforcement Complex. In addition, the office will issue SPBC Project No. 75 concurrently to refund agency-supported bonds. The proceeds will be used to provide permanent financing for various capital construction projects authorized by the 2000 General Assembly.

Senator Leeper made a motion to approve the SPBC bond issues. The motion was seconded by Senator Buford and passed by voice vote.

Next, Mr. Howard reported another new bond issue: Murray State University (MuSU) Consolidated Educational Buildings Refunding Revenue Bonds, Series H, dated January 1, 2002 (\$2,972,133). The proceeds will be used to refund Series H bonds.

Senator Leeper made a motion to approve the MuSU bond issue. The motion was seconded by Representative Damron and passed by voice vote.

Mr. Howard presented two follow-up reports for SPBC Road Fund Revenue Bonds, Project No. 73 (\$90,240,000); and Kentucky Housing Corporation Single-

Family Mortgage Revenue Bonds, Draw Down Series of 2001 (\$250,000,000). Chairman Haydon said no action is required for follow-up reports.

Lastly, Mr. Howard reported seven new bond issues with School Facilities Construction Commission (SFCC) debt service participation: Bullitt County, Crittenden County, Graves County, Jessamine County, Oldham County, Perry County, and Rockcastle County.

Representative Marcotte made a motion to approve the school bond issues with SFCC debt service participation. The motion was seconded by Senator Leeper and passed by voice vote. Representative Damron abstained from the vote, citing a potential conflict of interest.

Chairman Haydon said there were two locally-funded school bond issues submitted to the committee for review this month: Barren County and Ohio County. He said all disclosure information has been filed, and no further action on these bond issues is required.

With there being no further business, Representative Damron made a motion to adjourn the meeting. The motion was seconded by Senator Leeper and passed by voice vote. The meeting adjourned at 3:20 p.m.